

**65<sup>th</sup> MEETING**  
**OF THE**  
**MARYLAND HEALTH CARE COMMISSION**  
**Via Teleconference**

**Thursday, January 6, 2005**

**Minutes**

Chairman Salamon called the meeting to order at 1:05 p.m.

Commissioners present: Lucht, Moffit, Nicolay, Pollak, Risher, Row, and Toulson

**ITEM 1.**

**Consideration of HB 2 (Special Session 2004) – Maryland Patients’ Access to Quality Health Care Act of 2004 (Medical Malpractice Bill)**

Chairman Salamon said that the purpose of the meeting was to discuss three sections of HB 2 that directly affect the Commission. Pamela Barclay, Interim Executive Director, asked Enrique Martinez-Vidal, Deputy Director of Performance and Benefits, to summarize the sections of the bill.

Mr. Martinez-Vidal said that the first section for review related to Patient Safety. The bill requires that the Commission, in collaboration with the Health Services Cost Review Commission (HSCRC), the Department of Health and Mental Hygiene, the Maryland Patient Safety Center, the Maryland Board of Physicians, and third-party payers, to develop systemic patient safety initiatives that extend beyond hospitals and into health care practitioner offices. The agencies shall report to the Governor and, in accordance with § 2-1246 of the State Government Article, to the General Assembly, on their efforts on or before October 1, 2005. It was the consensus of the Commissioners and staff that the requirement in the bill is in concert with what has already been recommended in the Commission’s *Final Report on Patient Safety* and the work plans of the Maryland Patient Safety Center.

Section 11 of the bill requiring the Commission to study the impact of the reimbursement requirements on access to health care, health care costs, and the health insurance market has been stricken from the legislation during the conference committee. The section will be deleted via a corrective bill and, therefore, the Commissioners concluded that no action was required on this issue.

Staff consulted with Mercer Human Resource Consulting regarding the impact of the two percent HMO premium tax. Mercer’s analysis was based on year end 2003 data for the Comprehensive Standard Health Benefit Plan (CSHBP) without riders. As of December 31, 2003, approximately sixty percent of the covered lives in the small group market were enrolled in an HMO. Therefore,

a two percent premium tax on HMO enrollees in the CSHBP would have an overall impact on the weighted average premium of the composite CSHBP of approximately 1.2 percent (60% x 2%). As of December 31, 2003, the composite CSHBP was at 98.7% of the income affordability cap, currently set (by statute) at ten percent of the average annual wage in Maryland. Using Mercer's projections, the ratio of premium to rate ceiling for the year end 2004 is estimated at 99.7%. That ratio for year end 2005 is projected at 98.6%. Therefore, the overall 1.2% impact of imposing a two percent HMO premium tax would project the composite premium of the CSHBP just over the cap by year end 2004, at approximately 100.9% (1.2% x 99.7%). By year end 2005, this projection would be slightly under the cap, at approximately 99.8% (1.2% x 98.6%). During the Commission's upcoming annual review in 2005, projected premium estimates for 2006 will be the year used to measure against the cap. Although the CSHBP can absorb the impact of the premium tax for 2005, it is unclear whether the cap will be exceeded in 2006. This will depend on many other variables such as the underwriting cycle, medical cost inflation, etc. However, it is clear that the 1.2% cushion that would have existed will have been absorbed by the premium tax. Further, several studies undertaken by both the Lewin Group (in 1997 and 1998) and by the Congressional Budget Office conclude that increases in premiums lead to reductions in the number of people with health insurance since the price increase would result in some people dropping their coverage.

Staff recommended that the Commission send a letter of concern to the legislature noting the above projected estimates and voicing its concern that the HMO premium tax will have a 1.2% impact which will result in the Commission having to adjust the CSHBP, either through the reduction of benefits, or an increase in cost-sharing, in order to remain below the ten percent statutory affordability cap. Commissioner Constance Row made a motion that the Commission send a letter of information regarding these issues to the legislature. As there was no second to her motion, it was not adopted. Commissioner Andrew Pollak made a motion that the Commission send a letter of concern to the legislature, which was seconded by Commissioner Robert Moffit and approved by the Commission, with Commissioners Lucht, Moffit, Nicolay, Pollak, Risher, and the Chairman voting in favor of the motion and Commissioner Row voting against it.

**ACTION:** The Interim Executive Director was directed to draft a letter of concern representing the views of the Commissioners to be sent to the Governor, the Speaker of the House of Delegates, the President of the Senate, and Chairmen Hurson and Middleton.

## **ITEM 2.**

### **Hearing and Meeting Schedule**

Chairman Salamon announced that the next meeting of the Commission would be on Tuesday, January 11, 2005 at 10:00 a.m. via teleconference call at 4160 Patterson Avenue, Room 100, in Baltimore, Maryland.

## **ITEM 3.**

### **Adjournment**

There being no further business, the meeting was adjourned at 1:42 p.m. upon motion of Commissioner Row, which was seconded by Commissioner Moffit, and unanimously approved by the Commissioners.